



REGULAR MEETING
PUBLIC EMPLOYEES' RETIREMENT BOARD

July 12, 2007

The regular meeting was called to order by President Elizabeth Nedrow at 8:30 a.m. Thursday, July 12, 2007. Roll call was taken with all members of the Board being present except Mr. Jay Klawon who was excused. Board members and staff present were:

Elizabeth Nedrow, President
John Paull, Vice President
Robert Griffith, Member
Troy McGee, Member
John Nielsen, Member
Terry Smith, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Legal Counsel
Scott Miller, Legal Counsel
Anna Garza, Executive Assistant

OPEN MEETING

Jim Kembel, MACOP/MPPA/TIAA-CREF; Tim Jones, Kent Morris, Nancy Quirino, Beth Long and Michelle Anderson, Great West Retirement Services; Sean Garner, Chad Nicholson, Scott Moore, Dan Cotrell, Doug Neil and Jack Trethewey, members of the Montana State Firemen's Association; Kasey De La Hunt, Helena Fire Department; Susan Asay, Marcia Clark and Bret Estep, PIMCO; Chris Tobe, AEGON, and Kim Flatow, Member Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; Kathy Samson, Defined Contributions Bureau Chief; Rob Virts, Training Development Specialist, Carolyn Miller, Administrative Officer; Lenore Hardie, DC Accountant; joined the meeting.

MINUTES OF OPEN MEETING

The minutes of the open meeting of June 14, 2007 were presented. Mr. Troy McGee moved that the minutes of the previous open meeting be approved. Mr. Robert Griffith seconded the motion. Upon being submitted to vote, the motion carried with all six attending members voting aye.

The minutes of the Board Telephone Conference of June 27, 2007 were presented. Mr. John Paull moved to approve the minutes of the Board Teleconference. Mr. John Nielsen seconded the motion. The motion carried 6 to 0.

Public Comment – No public comment.

EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director

Vendor Annual Updates:

AEGON – Chris Tobe

Mr. Chris Tobe from AEGON gave a presentation. Please reference the attached presentation through the provided link for further information.

PIMCO – Bret Estep, Susan Asay, Marcia Clark

Ms. Susan Asay, Mr. Bret Estep, and Ms. Marcia Clark from PIMCO gave a presentation. Please reference the attached presentation through the provided link for further information.

GWRS – Tim Jones

Mr. Tim Jones from Great-West Retirement Services gave a presentation. Please reference the attached presentation through the provided link for further information.

Employee Investment Advisory Council (EIAC) Appointments – Kathy Samson

The Board was provided the current EIAC appointments in their packets. This year there are four individuals whose terms will expire at the end of this month. Mr. Jim Penner, the Retiree Representative, Ms. Pam Fleisner, the School District Employee Representative, Ms. Paula Stoll, the State Government Representative, and Katherine Harris, the Local Government Representative are the current positions that need to be filled. Mr. Penner, Ms. Fleisner, and Ms. Stoll would all like to continue on EIAC. Ms. Harris has submitted her letter of resignation. Ms. Lisa Smith is the new candidate for the Local Government Representative. She is currently working for Powell County. Ms. Smith has extensive experience both with state and local government. Mr. Robert Griffith moved to appoint Jim Penner, Pam Fleisner, Paula Stoll and Lisa Smith to three year terms on EIAC, beginning August 1, 2007 and ending July 31, 2010. Mr. Troy McGee seconded the motion. The motion carried 6 to 0.

DC Plans Investment Consultant Contract Award Recommendation – Kathy Samson

Ms. Samson summarized that they had received seven responses to the RFP. Mercer Investment Consulting withdrew due to language exceptions to the state contract language. The evaluation committee met on June 14, 2007 to review the responses. Arnerich & Massena as well as Fiduciary Consultants were dismissed from further consideration due to a RFP requirement that they must provide financial statements, which these two organizations did not provide. This left the Committee evaluating the remaining four responses. The evaluation committee scored the responses. Under the RFP cost points are awarded with the lowest price offer receiving the most points. The top three scoring offerors were the Callan Associates, Sageview Advisory Group and Wilshire Consulting Group. These three entities presented to EIAC on June 21, 2007. Based on their scoring, EIAC recommends the contract be awarded to Wilshire Consulting Group. Mr. John Paull moved to recommend to State Procurement that Wilshire Consulting, as the highest scoring offeror, be awarded the contract for the DC Plans Investment Consulting. Mr. Terry Smith seconded the motion. The motion carried 6 to 0.

Amended Board Governance Principles – Scott Miller

Mr. Miller stated that most of the changes to the Governance Principles were editorial and clarification types of changes. Mr. Troy McGee moved to adopt the amended Governance Principles. Mr. Robert Griffith seconded the motion. The motion carried 6 to 0.

Non-Union Staff Compensation – Roxanne Minnehan, Scott Miller

The Board was provided information in their Board packets which included the figures of the non-union positions and the state salary. The minimum, market and maximum salaries at the state level were shown. The MOSER's survey figures adjusted down 15% were also provided on the document, as well as the actual base salary with the State Market ratio and the MOSER's Market Survey ratio, and the base salary plus the 3% state increase with the MOSER's ratio comparison. Ms. Minnehan pointed out that six of the positions are still within the state pay band range when the MOSER's market survey is utilized; however, four of the positions are above the state pay band range.

Mr. Miller explained that the MOSER's survey is a public pension plan survey, which is why it would be an adequate survey to utilize. He further explained that the Board has three options for courses of action to take. The first option is to ask the Department of Administration for permission to increase the occupational pay range. The second option is to utilize an exception to the occupational pay range. The exception that closely describes MPERA's situation is called situational pay, which is defined as pay based on situations atypical in either the majority of jobs in Montana state government or in jobs used to make market rate comparisons for an occupation. MPERA is one of the only organizations with these types of jobs in Montana; therefore, this exception could apply. The third option is to use the Board's Constitutional authority to administer the system to increase the pay range. He stated that article 8 section 15 of the Constitution states that the retirement system assets are to be used to defray administrative expenses, which is what wages are. Therefore, it can be argued that the setting of wages is an administrative function. Mr. Miller stated that under the authority to administer the system the Board has the authority to hire and fire; taking this a step further it would seem appropriate that the Board would have the authority to set the wages of those people that they hire and fire.

The Board discussed the number of years that the MOSER's survey has been utilized and it might be considered a step back to not continue to utilize this survey as has been done previously. The second option was further discussed as to whether it would still require us to ask permission from the Department of Administration. Mr. Miller stated that we are required to create an agency pay plan policy which would be presented to State Personnel. The constitutional aspect was discussed further and what repercussions could arise from pursuing that avenue. Obtaining recommendations from the Executive Director as to what the Board should do for these positions was discussed. The Board would like to find out when the teachers will be required to resubmit their salaries. There was a recommendation for the legal counsel to put together a memorandum of defense for the one position that they would like to defend. The general consensus was to put off this agenda item for further study and recommendations from the Executive Director. MPERA already has a pay plan policy in place, which was brought up and discussed. It was mentioned that we need to look at it again and decide if there are any necessary updates that may need to be made. It was decided to table the agenda item and try to get it on the August Board meeting agenda allowing for further study of all options as well as MPERA's current pay plan policy.

Fiscal Year 2008 Budget Approval – Barbara Quinn

An excel spreadsheet of the Fiscal Year (FY) 2008 Budget was included in the Board packets. Ms. Quinn explained the spreadsheet to the Board, highlighting key elements of the budget to the Board. The spreadsheet was the FY2008 proposed Budget with FY 2007 comparisons. The first column is the program expenditure and identifies the program expense as a Defined Benefit (DB), Defined Contribution (DC), the 457 Plan also known as the Deferred Compensation Plan, DBEd or DCEd. If the program is not identified then it is allocated amongst DB, DC and 457, which is allocated 92% to DB, 5% to DC, and 3% to 457 Plan. This new allocation is different from before, which was 94% to DB, 3% to DC, and 3% to 457, DB was decreased slightly and DC was increased slightly. When items are split between DB and DC the allocation is 95% and 5% due to DC members totaling 5% of the active members. When items are split between DB, DC and 457 the allocation is 92%, 5%, 3%. If the item is split between DC and 457 the allocation is 50% and 50%. Items specific to one program are allocated 100% to that program, for example, consulting, printings and mailings. The next columns are the description of the expense for FY2007 and FY2008. If there is an "F" in the column to the right of the expense, then it identifies that it is fixed cost allocated to us from another agency, usually the Department of Administration. The next two columns are for comparison purposes of FY2008 to FY2007, the grayed column is FY2008. The DC Loan was paid off and therefore is no longer reflected on the budget. The projected ending balance for the DC is \$877,000, 457 Plan is \$504,000, DBEd is \$1.5 million, and DCEd is \$110,000. Personal Services is 47% of the total budget; less than a 1% decrease, Other services is 33.6% of the total budget, an increase of 2%, Supplies and Materials is 1.7% which remains constant, Communications is 7.4% of the budget, a decrease of less than 1%, Travel is 2.2%, which is an increase of less than 1%, Rent is 6%, consistent with last year, Repairs and Maintenance is 0.07%, same amount as last year, and Other Expenses is 2.4%, which increased less than 1%. Please reference the FY 2008 Budget attachment through the provided link for further details. Mr. John Paull moved to approve the Fiscal Year 2008 Budget as submitted by Ms. Barbara Quinn. Mr. John Nielsen seconded the motion. The motion carried 6 to 0.

Informal Consideration – FURS, GABA Coverage – Kim Flatow

The five individuals of this contested case, Robert Golubski, Sean Garner, Kasey De La Hunt, Chad Nicholson and Brad Roe waived their right to privacy to enable this agenda item to be heard in the open meeting.

Ms. Flatow stated that she had received letters from five different firefighters asking to be covered under the Guaranteed Annual Benefit Adjustment (GABA). The letters were included in the Board Member packets. Mr. McGee stated that he agrees with the staff recommendation. He mentioned possibly opening up the election again next legislative session might be something for future discussion. Under the firefighters' proposal the plan would cover the cost; however, we are not allowed to allow this. The statute governing the GABA election states that the election must be filed with the Board before December 1, 2001 and goes on to define that it had to be filed by either mail or hand delivery. It was mentioned that MPERA did not go to the individual departments to explain the GABA election. The firefighters would like to be able to get back into the GABA portion of the plan, pay the additional increases, repay the difference in the contribution rate and pay the interest retroactive back to July 1, 2001. Ms. Flatow explained that as of June 30, 2006 there are six non-GABA active individuals in the Firefighter system and 12 active members in the

police system that are not covered currently. There are 68 retired police officers that are non-GABA and 49 retired firefighters not covered. It was stated that the Board had allowed a participant who had not filed the election to be covered under the GABA. Mr. McGee replied that in that particular case we had some documentation to base that decision. He mentioned that you would have to do this for all the plans. He recommends changing the statute for the active individuals and proposing it in the next legislative session. It was brought up that if it was done legislatively it will not be for another two years down the road which would increase their amount to pay back retroactively. Mr. Troy McGee moved to uphold the previous staff determination and deny the request for a GABA correction for Robert Golubski, Sean Garner, Kasey De La Hunt, Chad Nicholson and Brad Roe. Mr. Robert Griffith seconded the motion. The motion carried 4 to 2. Mr. John Paull and Mr. Terry Smith voted nay.

VCP 125 Plan Agreement – IRS Response – Melanie Symons

Nothing was discussed on this agenda item as we have not heard from the IRS.

SAVA Committee Meeting, June 21 – Roxanne Minnehan

The SAVA Committee held their organizational meeting on June 21, 2007. Carolyn Squires chaired the meeting. At the end of the meeting they elected their Chair and Vice Chair. Franke Wilmer was elected Chair and Gary McClaren was elected Vice Chair. MPERA presented introduction of our lobbyists, some information about the Board make-up and their responsibilities as well as those of MPERA. They also presented some information about the separate retirement systems that are administered. Additionally MPERA presented the 2007 legislation that impacted the retirement systems. This legislation included: The loan for the start-up costs of the PERS-DCRP was paid off, the actuarial soundness of the Public Employees' Retirement System (PERS) and the Sherriffs' Retirement System (SRS) were addressed by increasing employer contributions, PERS was increased by 0.135% in FY2007 and FY2009, and SRS was increased 0.29% in FY2007 and FY2009, the current GABA was reduced from 3% to 1.5% for new hires, the actuarial soundness of the Game Wardens' and Peace Officers' Retirement System (GWPORS) was addressed solely through a reduction in the GABA, rural fire districts currently covered in the PERS may become covered employers of the FURS, FURS members may work up to 480 hours per calendar year upon retirement, annual Actuarial Valuations will be performed and Governor appointed Board members are confirmed by the Senate. Ms. Minnehan pointed out that included in the Board members' packets is the information that was passed out at the SAVA meeting regarding the retirement study. These documents include: House Joint Resolution Number 59 (HJR 59), Duties and Responsibilities of the SAVA, Principles and Guidelines for public employee retirement systems adopted by SAVA, June 22, 2006, Summary of Proposed Study Outline for HJR 59 and the latest Legislative Interim Newsletter. In the SAVA meeting, Mr. Bohyer stated that the SAVA has not been assigned to come up with an option but only to perform a "study" to document where we've been, where we are and where we should be going in light of the rest of the world. He stated that philosophies vary and that there is no best option. He also stated that their September meeting will discuss the history of the retirement plans and some legal analysis regarding law requirement, constitutional requirements and Legislative limitations. Yesterday MPERA received a memorandum requesting input at the September 7, 2007 meeting on MPERA's assessment of what, specifically is right and wrong, good and bad, or beneficial and detrimental with respect to the state's retirement plans. It was mentioned that it is important for Board members to work through the appropriate channels in providing comments to SAVA Committee.

If there are any thoughts or suggestions that should be taken to the SAVA Committee they need to go through the Executive Director. The issue with the implementation of the DC plan was discussed in regards to it being an issue with the plan. It was decided that it would be further discussed at the August Board meeting.

Staffing Updates – Roxanne Minnehan

Ms. Roxanne Minnehan reported on the following MPERA staffing:

- IT Programmer – The position is still open. It was reposted and closes on July 16, 2007. The salary range is set at (\$45,230 – \$56,538), according to the Montana 2006 salary survey.
- Auditor – Has not been acted on since the vacancy posting closed on June 18, 2007. No applications were received. Staff will be discussing the next step.

It was discussed that the problem with the positions is a salary problem.

Board of Investments Update – John Paull

The next Board of Investments meeting is on August 22, 2007. Mr. Paull addressed a question that was asked at the last Board meeting in regards to the lengths of the contracts for the external managers. They are typically a seven year contract; however, there is a termination provision. If the managers do not live up to expectations, poor returns or poor management, they can cancel a contract within five days. The external managers for the Montana Domestic Equity Pool are in the contract phase right now. They have plans of having this complete by the first part of August. As a result of these contracts being signed the Montana Domestic Equity Pool will no longer be internally managed. They are also busy with their custodial RFP and will be receiving responses and interviewing those firms over the next month in preparation for a recommendation at the August Board of Investments meeting.

Litigation Update – Melanie Symons and Scott Miller

Scott Miller reported on the *Baumgardner* case – The appeal time for either party to appeal when the state is a party to litigation is 60 days, therefore the appeal time for this case expires on July 23, 2007.

Melanie Symons reported on the *MANG* case – One of the firefighters informed Ms. Symons that he understands that a response brief has been filed with the Supreme Court. She does not have a copy of it currently; she should be receiving it through e-mail this afternoon. Once she receives it she will get copies to the Board.

Melanie Symons reported on the *Teichrow* lawsuit – Mr. Teichrow appealed. The appeal was filed earlier this week. The appeal will be subject to mediation. Ms. Beth Baker, MPERA's attorney is looking into a few different mediators that she might be interested in using. The mediation has to be done by around September 24, 2007. Ms. Baker will be at the August Board meeting to discuss the matter further.

Conference Reports:

NAPPA – Scott Miller, Melanie Symons

Mr. Miller gave a presentation in new member session at the NAPPA conference, on the difference between being in-house and outside counsel. An actuary gave a presentation on actuarial basics for a public pension plan and defending the defined benefit plan. There was an Ethics session. Mr. Miller mentioned that rule 1.13, the rules of professional conduct talks about who the pension attorney actually represents. The attorney represents the Board as a whole, not the staff and not individual Board members. Therefore, attorney-client privilege runs to the Board as a whole rather than to the individuals. There was a PPA update which ICE Miller headed. There was a regulatory update in which an actuary discussed the final 415 regulations. There was a discussion on the proposed instructions for the 1099R, the tax forms that we use to report the distributions for the pension systems and the fact that there will not be a specific space on the form to put health insurance premiums deducted from their paycheck, which affects the public safety officer exclusion of the \$3,000 for health insurance that the PPA created. It appears that the IRS is dictating the position that it is going to be solely the recipients' responsibility to claim this on their tax return rather than the funds responsibility to determine whether they were a public safety officer or if it's a qualified plan. There was a litigation update. A document management session was held, which an argument for creating and complying with a document retention schedule was discussed. A presentation on exotic benefit issues was presented. A session on fiduciary liability insurance and indemnification which talked about the fiduciary requirements and potential liability along with insurance for that liability and the different types of policies that are out there was also held.

Ms. Symons attended a presentation for experienced attorneys, at which the main speaker was the Executive Director at a different retirement system who used to be the Chief Legal Counsel. There was a conversation about what it was like to be an Executive Director with a Chief Legal Counsel and what you do when you don't agree with what the Chief Legal Counsel is doing. The question was asked as to what the Executive Director would like from their legal counsel. Ms. Symons felt that was something that could be asked of our Executive Director as well, what she would like from her legal counsel. Ms. Symons touched more on the Public Safety issue; there was discussion of the Board, as fiduciaries, what their duty is for the Public Safety \$3,000 credit. The discussion was, because the option is available and because we have a fiduciary duty to our members that we have to do what we can to offer it to them versus the fact that it's optional and whether you have to file it or not. They are hoping to expand the change regarding the 1099R to everyone and not just Public Safety. It was mentioned that there will be further discussion regarding this matter. Most of the administrative issues that were brought up at the conference are things that will be discussed tomorrow in the meeting with ICE Miller, one that is going to be discussed is the DROP and how it butts up against the benefits limit. In the presentation for experienced attorneys, additionally, they talked about issues that legal counsel have in general and one of which was training new Board members. They are going to apply some of what came out of that meeting to our new Board member. Ms. Symons mentioned that she went to Great-West to see their offices, where she received a tour. She further discussed her visit there.

GFOA – Barbara Quinn

Ms. Quinn attended an Ethics class. Ethics is a big topic and it was stressed that the tone is set at the top and goes down the chain. There were some classes on succession planning, Montana has a

lot of people that are at retirement age. Ms. Quinn shared information from this with State Personnel due to the project being something that would be done at the State level as opposed to MPERA. They discussed systems reengineering, which is something that MPERA is looking at in the future. We have old systems and we need to look at setting up all of our business process flows and looking at what platforms we are going to use in the future. There were some classes on how to improve the annual report. They discussed fraud and internal controls, which put more importance on the fact that we need to get an auditor in MPERA so we can get everything documented.

Future Board Meetings – Thursday: August 9, September 13, 2007.

Montana State Fireman's Association Annual Convention – Lewistown, July 18-20

Ms. Minnehan will be attending the Montana State Fireman's Association Annual Convention in Lewistown.

Public Pension Plan Trends Telewebinar

Ms. Minnehan put a PowerPoint presentation in the Board packets from the telewebinar. The information that was portrayed was a lot of what the SAVA Committee is looking at, where have you been, where are you headed and what is in the future for the retirement systems. Ms. Minnehan also shared this presentation with Dave Bohyer, staffer of the SAVA Committee.

Financial Footnotes Newsletter

The Financial Footnotes Newsletter was included in the Board packets. This newsletter is what the DC members receive in their statements. Great-West provides the newsletter and Ms. Samson approves it prior to it being put in with the member statements.

Informational Summary Reports

Included in the Board packets were the following reports:

- Operational Summary Report
- Retirement Plan Transfers
- DCRP Asset Projections FY 2007
- DCRP Assets by Investment Option
- 457 Deferred Compensation Plan Assets by Investment Option

The following portion of the meeting relates to matters of individual privacy. The Board President determined that the demands of individual privacy clearly exceed the merits of public disclosure. As such, this portion of the meeting will be closed.

SYNOPSIS OF THE CLOSED MEETING

The minutes of the regular closed meeting of June 14, 2007 were presented. Mr. John Paull moved to approve the minutes of the June 14, 2007 meeting. Mr. Terry Smith seconded the motion, which upon being submitted to vote, was duly carried with all six attending members voting aye.

Contested Cases

Informal Re-consideration – SRS, Duty Related vs. Non-Duty Related Disability, RM

RM has worked as a Deputy Sheriff. RM has been diagnosed with Tourette's syndrome or Myoclonus. Dr. McEvoy reviewed the case and stated that RM has developed a movement disorder, either Tourette's syndrome or Cortial Myoclonus. RM has been having some vertigo. RM may have a degenerative disease of the central nervous system. Dr. McEvoy believes that RM can no longer do police work. Dr. McEvoy further stated that RM is alleging that the neurological problem is work-related. No history of head trauma was recorded by Dr. Greeley, a Spokane neurologist. RM filed a work comp claim on December 19, 2006 for an injury, which RM stated occurred on December 28, 2005. There is no record of this patient being seen by a physician on that date. Dr. McEvoy believes that it is purely speculative that RM's problem is work related. The Board approved a non-duty related disability in June of 2007. RM is appealing the Board's decision for non-duty related disability. RM appeared before the Board to testify. The Disability Examiner presented evidence that RM's vertigo existed prior to the alleged injury. RM did not seek medical attention for RM's head injury and without an MRI they cannot establish a relationship between the injury and the Myoclonus. Mr. Troy McGee moved to deny the request for duty related disability. Mr. John Paull seconded the motion. The motion carried 5 to 1. Ms. Elizabeth Nedrow voted nay.

Retirement Report

- Disability Claims:
 - JD has worked as a Weed Department Supervisor. JD has been diagnosed with right knee degenerative joint disease, post left ankle fracture, benign prostatic hypertrophy, obstructive sleep apnea, hypertension, compression fractures at T10 and T12, mild degenerative disc disease diffusely throughout the cervical region and at L2-3 and L5-S1 and spondylolisthesis at L2-3. Dr. McEvoy has reviewed the case and stated that according to the analysis of JD's work, the work is characterized as "heavy work". He has limited range of motion of the cervical spine and limited range of motion of both shoulders and the lumbar spine. He believes JD is no longer able to do heavy work. The Disability Examiner believes that because JD has numerous degenerative problems of the spine at the thoracic and lumbar levels, it would make heavy work impossible. The Disability Examiner also mentioned that JD's condition is not expected to improve; therefore, she does not see a need for annual reviews. Mr. Troy McGee moved to approve request for disability without annual reviews. Mr. John Nielsen seconded the motion. The motion carried 6 to 0.
 - DD has worked as a Financial Specialist. DD has been diagnosed with seizure disorder and is not expected to improve or recover. DD's case has been reviewed by Dr. McEvoy who stated that according to DD's employer, work product failure is still a day to day occurrence. Dr. McEvoy has reviewed DD's records from Dr. Peter's ER, Dr. Dick Paustian, Dr. Thomas Mulgrew, Dr. Don Skillman and Dr. Erik Riesen. DD has problems with memory and has a seizure disorder as well as a cerebellar infarct, which is demonstrated on MRI. Dr. Skillman does not think DD can continue to work and neither does Dr. McEvoy. The Disability Examiner agrees that DD is disabled and recommends approval without annual review. Mr. John Nielsen moved to approve

request for disability without annual review. Mr. John Paull seconded the motion. The motion carried 5 to 1. Mr. Troy McGee voted nay.

- SF has worked as a Business Manager. SF has been diagnosed with depression. SF's case has been reviewed by Dr. McEvoy who stated that SF was responding well to Vegas nerve stimulation and medication. SF's depression is a condition of long standing and did not prevent work in the past. Dr. McEvoy believes that given the depressive symptoms are fairly well controlled currently; he feels that SF is capable of performing duties as a business manager. The Disability Examiner stated that the employer is noting the worker cannot do the functions of the position but she does not see this information from the treating physician or any physician. She recommends denial of disability benefits. Mr. Robert Griffith moved to deny request for disability. Mr. John Paull seconded the motion. The motion carried 6 to 0.
- SH has worked as a Police Officer. SH has been diagnosed with situational depression. SH's case has been reviewed by Dr. McEvoy who stated that SH has had problems with depression, alcohol abuse, and also has had marital problems. SH has seen Dr. Bruce Richardson and Dr. Kedric Cecil a PhD, for psychotherapy. Dr. Richardson saw SH in February and commented that SH seems to be doing well. Dr. Bateen has also reviewed SH's case and states that the claimant had been abusing alcohol. SH was given a provisional diagnosis of depressive disorder. Alcohol induced mood disorder was described. Dr. Bateen believes the claimant's depression appears to be largely situational and is not of such severity as to prevent all types of police work. The Disability Examiner stated the treating physician indicates the prognosis of the depression is good. SH's depression is noted to be situational. Alcohol abuse is noted to be acute and not long term in nature. After review of the medical records the Disability Examiner does not feel SH is permanently and totally disabled from police work and she recommends denial of request for disability. Mr. Troy McGee moved to deny the request for disability. Mr. John Nielsen seconded the motion. The motion carried 6 to 0.
- JK has worked as a Firefighter. JK has been diagnosed with advanced osteoarthritic changes of the left knee with medial joint space narrowing and patella femoral degenerative changes and will eventually need a total knee replacement. JK's case has been reviewed by Dr. McEvoy who stated that JK suffered a tear of the posterior horn of the left medial meniscus which was repaired surgically in December of 2006. JK now has developed osteoarthritis of the medial left knee joint space. JK also had degenerative change at the patella-femoral junction. JK's orthopedic surgeon has placed JK on light duty with no heavy lifting and no crawling. Dr. McEvoy believes JK can not do his usual work and recommends review in one year. The Disability Examiner stated that the nature of firefighting involves heavy physical demands and JK's knee can no longer tolerate heavy work. She feels JK is disabled from firefighting. She further stated that Dr. Iannacone's notes read "it is my opinion within a reasonable degree of medical certainty that the rapid progression of JK's arthritic condition and rapid increase in JK's symptomatology including mechanical symptoms is related to the loss of the medial meniscus sustained in the work-related injury on November 25, 2006. Therefore, it is my opinion within a reasonable degree of medical certainty that the rapid progression of the medial and patella femoral arthritis is

secondary to an injury sustained at work on November 25, 2006.” As a result, the Disability Examiner feels the claim should be accepted as work related. She does not see a need for annual review as JK’s condition is not expected to improve. She recommends approval of duty-related disability. Mr. John Nielsen moved to approve the request for duty-related disability without annual review. Mr. John Paull seconded the motion. The motion carried 5 to 1. Mr. Robert Griffith voted nay.

- TM has worked as a Psychiatric Aide. TM has been diagnosed with ascending aortic dissection. TM’s case has been reviewed by Dr. McEvoy who stated that TM had an aortic dissection repaired on November 14, 2006. TM has done well since this event, but may have had some hypoxemic encephalopathy. In March of 2007 TM was noted to have some “short-term registration difficulties”, but was otherwise doing well. TM’s physician has indicated that the condition is temporary. Dr. McEvoy does not think TM is permanently and totally unable to do TM’s usual work. The Disability Examiner stated that both the treating physician and our consultant are indicating the condition is temporary, with this current information she is unable to recommend disability. Mr. John Paull moved to deny request for disability. Mr. Robert Griffith seconded the motion. The motion carried 6 to 0.
- Finalized Service Retirements Disability Benefit Payments

The Finalized Service Retirements/Disability Benefit Payments report was presented. Mr. John Paull made a motion to approve the finalized service retirements and disability benefit payments. The motion was seconded by Mr. Terry Smith. The motion carried 6 to 0.

Contested Case/Litigation Updates – Melanie Symons

Ms. Melanie Symons reported on the *TT* case – The Board discussed a question that was asked of them by our attorney.

Mr. Scott Miller reported on the *JB* case – Mr. Miller stated that he had spoke with Jim Goetz about the opinion that Judge McCarter issued and it was Mr. Goetz’s opinion that the opinion was narrow enough to not cause MPERA a problem. July 23, 2007 is the deadline for appeal by either party.

Mr. Scott Miller reported on the *LGSD* – The information that they submitted to us is still being reviewed. We are waiting to hear from TRS.

ADJOURNMENT

There being no other business before the Board, Mr. Terry Smith moved to adjourn the meeting. Mr. Robert Griffith seconded the motion. The motion passed with all six votes. Ms. Elizabeth Nedrow adjourned the meeting at approximately 2:25 p.m. The next meeting is scheduled for August 9, 2007, at 8:30 a.m. in Helena.

Attachments:

AEGON Presentation: <http://mpera.mt.gov/BdMinAttach/JUL07/AEGONPresentation.pdf>

PIMCO Presentation: <http://mpera.mt.gov/BdMinAttach/JUL07/PIMCOPresentation.pdf>

GWRS Presentation: <http://mpera.mt.gov/BdMinAttach/JUL07/GWRSPresentation.pdf>

FY 2008 Budget: <http://mpera.mt.gov/BdMinAttach/JUL07/FY2008Budget.pdf>